

Order 2006-6-7  
Served: June 9, 2006



**UNITED STATES OF AMERICA  
DEPARTMENT OF TRANSPORTATION  
OFFICE OF THE SECRETARY  
WASHINGTON, D.C.**

Issued by the Department of Transportation  
on the 6<sup>th</sup> day of June, 2006

Essential air service at

**LAUREL/HATTIESBURG,  
MISSISSIPPI**

**Docket OST-2001-10685**

under 49 U.S.C. 41731 *et seq.*

**ORDER RE-SELECTING CARRIER  
AND ESTABLISHING SUBSIDY RATE**

**Summary**

By this order, the Department is re-selecting Mesaba Aviation, Inc., d/b/a Northwest Airlink (Mesaba), to provide essential air service (EAS) at Laurel/Hattiesburg, Mississippi, for the two-year period beginning July 1, 2006, at an annual subsidy rate of \$917,129. (Sec Appendix A for an area map.)

**Background**

By Order 2004-8-11, the Department selected Mesaba to provide two nonstop round trips each weekday and three over the weekend to Memphis with 34-seat Saab 340 turboprop aircraft for the two-year period ending June 30, 2006, at an annual subsidy of \$1,100,253. As the end of that two-year contract period was approaching, the Department issued Order 2006-3-23 on

March 29, 2006, requesting proposals from carriers interested in providing EAS at Laurel/Hattiesburg for a new two-year period beginning July 1, 2006, with or without subsidy. In response to our request, only Mesaba submitted a proposal.

### **Proposals**

Mesaba submitted a single proposal to provide nonstop service to Memphis with 33-seat Saab 340 turboprop aircraft. Mesaba has a code-share agreement with Northwest Airlines and would continue to serve the Laurel and Hattiesburg communities as Northwest Airlink. Under its proposal, it would provide two daily nonstop round trips (14 a week) for \$917,129. Its proposal would provide a slight increase in service, offering one additional round trip each week, and a significant reduction in annual subsidy (\$183,124) from its current annual subsidy of \$1,100,253.

### **Community Comments**

By letter dated May 16, 2006, the Mayors of the Cities of Laurel and Hattiesburg, and the Vice Chairman of the Hattiesburg-Laurel Regional Airport Authority submitted a joint response to our request for community comments. Their letter recommends "the selection of Mesaba Airlines to provide essential air service to this region," and states that the "area has continued to experience tremendous growth." Their letter also states, "(O)ur University [University of Southern Mississippi] and local businesses continue to grow," and that growth in the area includes a population increase of approximately 10,000 to 20,000 people following Hurricane Katrina, as well as an additional 10,000 to 20,000 soldiers a year being processed through Camp Shelby for deployment to Iraq.

### **Decision**

After carefully considering the various issues involved and the community's comments, we have decided to select Mesaba's proposal, which will provide Laurel/Hattiesburg with 14 nonstop round trips per week to Memphis for an annual subsidy of \$917,129 using 33-seat Saab 340 turboprop aircraft. We find that the service and subsidy levels are reasonable, and the community is supportive of the carrier's service. We note the slight increase in service offered by Mesaba from 13 to 14 nonstop round trips each week is accompanied by a significant reduction in annual subsidy (\$183,124 -- about 17 percent). This is especially impressive given the increases in fuel prices since the last contract about two years ago. Passenger levels are up about 13 percent over even pre-September 11 levels (14,000 enplanements at Laurel/Hattiesburg in 2005 compared to 12,412 in 2000) and Mesaba has forecast 29,000 origin-destination passengers in the upcoming contract compared to 21,639 in the current contract.

Thus, we will reselect Mesaba to serve Laurel/Hattiesburg for a new two-year period beginning on July 1, 2006, at the proposed annual subsidy of \$917,129 to provide two daily nonstop round trips to Memphis with 33-seat Saab 340 turboprop aircraft.

We shall make this selection contingent upon the Department's receiving properly executed certifications from Mesaba that it continues to comply with the Department's regulations regarding drug-free workplaces, non-discrimination, and lobbying activities.

### **Carrier Fitness**

49 U.S.C. 41737(b) and 41738 require that we find an air carrier fit, willing, and able to provide reliable service before we may subsidize it to provide essential air service. Mesaba was most recently found fit to provide scheduled passenger service by Order 2005-11-17, selecting it to provide EAS at Devils Lake and Jamestown, North Dakota. Since that time, no information has come to our attention that would lead us to question the carrier's ability to operate in a reliable manner. The FAA has advised us that the carrier is conducting its operations in accordance with its regulations, and knows of no reason why we should not find that Mesaba is fit. Based on the above, we find that Mesaba is fit to provide the essential air transportation at issue in this case.

This order is issued under authority delegated in 49 CFR 1.56a(f).

### **ACCORDINGLY,**

1. The Department reselects Mesaba Aviation, Inc., d/b/a Northwest Airlink, to provide essential air service at Laurel/Hattiesburg, Mississippi, as described in Appendix B, for the two-year period beginning July 1, 2006;
2. We set the final rates of compensation for Mesaba Aviation, Inc., d/b/a Northwest Airlink, for the provision of essential air service at Laurel/Hattiesburg, Mississippi, as described in Appendix B, for the two-year period beginning July 1, 2006, payable as follows: for each month during which essential air service is provided, the amount of compensation shall be subject to the weekly ceilings set forth in Appendix B and shall be determined by multiplying the subsidy-eligible flights each way completed during the month by \$649.52;<sup>1</sup>
3. The Department directs Mesaba Aviation, Inc., d/b/a Northwest Airlink, to retain all books, records, and other source and summary documentation to support claims for payment, and to preserve and maintain such documentation in a manner that readily permits its audit and examination by representatives of the Department. Such documentation shall be retained for seven years or until the Department indicates that the records may be destroyed, whichever comes earlier. Copies of flight logs for aircraft sold or disposed of must be retained. The carrier may forfeit its compensation for any claim that is not supported under the terms of this order;

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<sup>1</sup> See Appendix B for the calculation of this rate, which assumes the use of the aircraft designated. If the carrier reports a significant number of aircraft substitutions, a revision of this rate may be required.

4. We find that Mesaba Aviation, Inc., d/b/a Northwest Airlink, continues to be fit, willing and able to operate as a certificated air carrier and capable of providing reliable essential air service at Laurel/Hattiesburg, Mississippi;
5. This docket will remain open until further order of the Department; and
6. We will serve copies of this order on the Mayors of Laurel and Hattiesburg, Mississippi; the airport manager of the Hattiesburg-Laurel Regional Airport, the Governor of Mississippi; and Mesaba Aviation, Inc., d/b/a Northwest Airlink.

By:

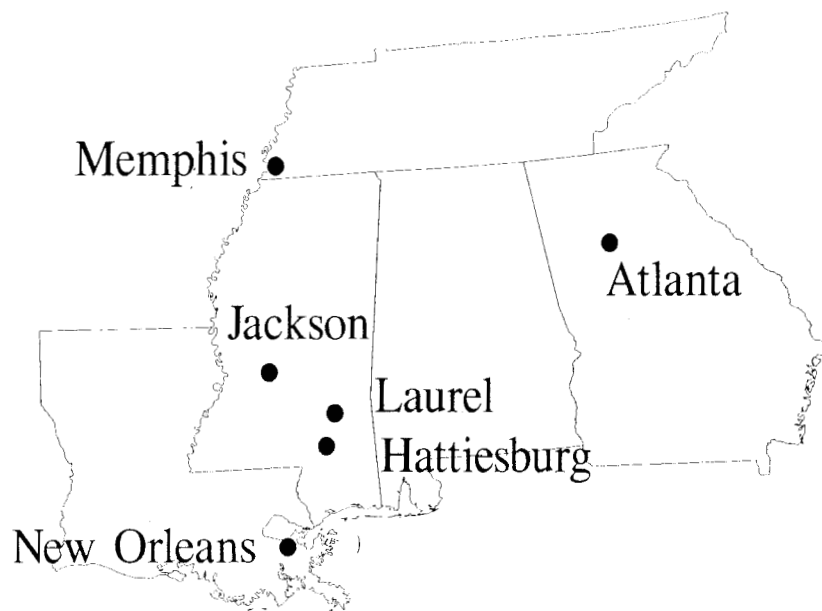
**MICHAEL W. REYNOLDS**

Acting Assistant Secretary for Aviation  
and International Affairs

(SEAL)

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<http://dms.dot.gov>*

## Area Map of Laurel/Hattiesburg, Mississippi



**Mesaba Aviation, Inc. d/b/a Northwest Airlink**  
**Essential Air Service at Laurel/Hattiesburg, Mississippi**  
Summary of Service To Be Provided

|                                        |                                                                                  |
|----------------------------------------|----------------------------------------------------------------------------------|
| Effective Period:                      | July 1, 2006, through June 30, 2008.                                             |
| Service:                               | 2 nonstop round trips each day to Memphis, Tennessee.                            |
| Intermediate Stops and Upline Service: | Intermediate stops and/or upline service is not contemplated under this rate.    |
| Aircraft Type:                         | Saab 340 (33 passenger seats).                                                   |
| Timing of Flights:                     | Flights must be well-timed and well-spaced in order to ensure full compensation. |
| Annual Compensation:                   | \$917,129.                                                                       |
| Subsidy Rate per Arrival/Departure:    | \$649.52 <sup>1</sup>                                                            |
| Compensation Ceiling Each Week:        | \$18,186.56 <sup>2</sup>                                                         |

**Note:** The carrier understands that it may forfeit its compensation for any flights that it does not operate in conformance with the terms and stipulations of the rate order, including the service plan outlined in the order and any other significant elements of the required service, without prior approval. The carrier understands that an aircraft take-off and landing at its scheduled destination constitutes a completed flight; absent an explanation supporting subsidy eligibility for a flight that has not been completed, such as certain weather cancellations, only completed flights are considered eligible for subsidy. In addition, if the carrier does not schedule or operate its flights in full conformance with this order for a significant period, it may jeopardize its entire subsidy claim for the period in question. If the carrier contemplates any such changes beyond the scope of the order during the applicable period of these rates, it must first notify the Office of Aviation Analysis in writing and receive written approval from the Department to be assured of full compensation. Should circumstances warrant, the Department may locate and select a replacement carrier to provide service on these routes. The carrier must complete all flights that can be safely operated; flights that overfly points for lack of traffic will not be compensated. In determining whether subsidy payment for a deviating flight should be adjusted or disallowed, the Department will consider the extent to which the goals of the program are met and the extent of access to the national air transportation system provided to the community.

If the Department unilaterally, either partially or completely, terminates or reduces payments for service or changes service requirements at a specific location provided for under this order, then, at the end of the period for which the Department does make payments in the agreed amounts or at the agreed service levels, the carrier may cease to provide service to that specific location without regard to any requirement for notice of such cessation. Those adjustments in the levels of subsidy and/or service that are mutually agreed to in writing by the parties to the agreement do not constitute a total or partial reduction or cessation of payment.

Subsidy contracts are subject to, and incorporate by reference, relevant statutes and Department regulations, as they may be amended from time to time. However, any such statutes, regulations, or amendments thereto shall not operate to controvert the foregoing paragraph.

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<sup>1</sup> Annual compensation of \$917,129 divided by 1,412 annual arrivals and departures, assuming a 97.0% completion factor: 28 flts per week X 52 weeks X .97.

<sup>2</sup> Subsidy rate per arrival or departure of \$649.52 multiplied by 28 subsidy-eligible arrivals and departures each week.

**Mesaba Aviation, Inc. d/b/a Northwest Airlink**  
**Essential Air Service at Laurel/Hattiesburg, Mississippi**  
Compensation Calculation

|                                              |              |                          |                        |
|----------------------------------------------|--------------|--------------------------|------------------------|
| Mileage, MEM-PIB                             | 250          | Block Min per flight     | 84                     |
| Departures                                   | 1,412        | Completion Factor        | 97.0%                  |
| Block Hours                                  | 1,977        | Average seats per flight | 33                     |
| Available Seat-Miles                         | 11,641,387   | Flights per week         | 28                     |
| Total Passengers                             | 28,953       |                          |                        |
| Total Revenue                                |              |                          |                        |
| Operating Revenue                            |              |                          |                        |
| Projected Revenue - Pax/Cyc                  | 20.5         | Segment Fare             | \$ 75.00               |
| Other Revenue                                |              | Observed % of Pax Rev    | 4.0%                   |
| Total Operating Revenue L/F                  | 62%          |                          |                        |
|                                              |              |                          | \$ 2,171,442           |
|                                              |              |                          | 86,858                 |
|                                              |              |                          | <u>\$ 2,258,300</u>    |
| Operating Expense:                           |              |                          |                        |
|                                              | <u>Rate</u>  | <u># of Units</u>        |                        |
| Flying Operations                            | \$ 243.71    | per block hour           | 1,977                  |
| Hull Insurance                               | \$ 5.23      | per block hour           | 1,977                  |
| Fuel & Oil                                   | \$ 262.50    | per block hour           | 1,977                  |
| Maintenance Direct                           | \$ 302.31    | per block hour           | 1,977                  |
| Depreciation                                 | \$ 54.01     | per block hour           | 1,977                  |
| Aircraft Lease                               | \$ 226.44    | per block hour           | 1,977                  |
| Total Direct Operating Expense               |              |                          | <u>\$ 2,163,490.58</u> |
| Indirect Operating Expense:                  |              |                          |                        |
|                                              | <u>Rate</u>  | <u># of Units</u>        |                        |
| PIB Facility Lease                           | \$ 29,436.00 | Annual                   | 1                      |
| PIB Landing Fees                             | \$ 13.60     | Per Turn                 | 706                    |
| PIB Deicing Charge                           | \$ 4.11      | Per Turn                 | 706                    |
| PIB Labor                                    | \$ 158.39    | Per Turn                 | 706                    |
| PIB Other                                    | \$ 25.15     | Per Turn                 | 706                    |
| MEM Turn Rate                                | \$ 184.68    | Per Turn                 | 706                    |
| MEM Landing Fees                             | \$ 45.26     | Per Turn                 | 706                    |
| Passenger Liability Insurance                | \$ 0.001470  | Per RPM                  | 7,231,770              |
| FAA War Risk Insurance                       | \$ 0.0005435 | Per RPM                  | 7,231,770              |
| Other Expenses                               | \$ 129.04    | Per Block Hour           | 1,977                  |
| CRS Fees                                     | \$ 5.85      | Per Pax                  | 28,953                 |
| Credit Card Fees                             | 2.00%        | % of Pax Revenue         | 2,171,442              |
| Commission                                   | 2.04%        | % of Pax Revenue         | 2,171,442              |
| Total Indirect Operating Expense             |              |                          | <u>\$ 860,727.14</u>   |
| Total Operating Expense                      |              |                          | \$ 3,024,218           |
| Profit Element @ 5% Total Operating Expenses |              |                          | 151,211                |
| Cost of Annual Service                       |              |                          | \$ 3,175,429           |
| Less: Total Operating Revenue                |              |                          | <u>(2,258,300)</u>     |
| Compensation Requirement                     |              |                          | <u>\$917,129</u>       |